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FISCAL IMPACT STATEMENT

LS 6062
BILL NUMBER: SB 251

NOTE PREPARED: Feb 8, 2011
BILL AMENDED: Feb 7, 2011

SUBJECT: Clean Energy.

FIRST AUTHOR: Sen. Gard
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Federally Mandated Costs:* This bill requires the Indiana Utility Regulatory Commission (IURC) to allow an energy utility to recover certain federally mandated costs through periodic retail rate adjustment mechanisms.

Clean Coal and Nuclear Energy: This bill changes the term "clean coal and energy projects" to "clean energy projects" to allow the term to include nuclear energy production or generating facilities. It provides that: (1) nuclear energy production or generating facilities; and (2) purchases of energy produced by the facilities; qualify for financial incentives available for clean energy projects. This bill also provides that a combined heat and power facility qualifies as a renewable energy resource for purposes of financial incentives for clean energy projects. It provides that an eligible business may recover qualified utility system expenses associated with a: (1) new energy production or generating facility; or (2) new nuclear energy production or generating facility.

Voluntary Clean Energy Portfolio Standard Program: The bill requires the IURC to adopt rules to establish the voluntary clean energy portfolio standard program to provide incentives to participating electricity suppliers to supply specified percentages of electricity from clean energy sources. It states three clean portfolio standard goals (CPS goals) that a participating electricity supplier must achieve to qualify for an incentive. It provides that a participating electricity supplier may own or purchase clean energy credits to meet a CPS goal. Beginning in 2014, it requires: (1) a participating electricity supplier to report annually to the IURC on the supplier's efforts to meet the CPS goals; and (2) the IURC to include in its annual report to the Regulatory Flexibility Committee a summary of the information reported by participating electricity suppliers.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *IURC:* This bill will increase administrative expenditures of the IURC by requiring the IURC to evaluate petitions to allow utilities to recover federally mandated costs and capital investment costs. The bill also requires the IURC to include in its annual report to the Regulatory Flexibility Committee a summary of the information reported by electricity suppliers participating in the Voluntary Clean Energy Portfolio Standard Program (established in this bill) .It is estimated that the IURC will be able to implement these provision with its existing level of resources.

State & Local Utility Expenditures: This bill could increase expenditures by state agencies for utilities to the extent that the provisions allowing for cost recovery increase utility rates. The overall impact on expenditures is indeterminable.

Explanation of State Revenues: *Utility Rates:* To the extent that any of the provisions of this bill increase utility rates, there could be an increase in Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax collections. The amount of any increase is indeterminable and will depend on rate adjustments allowed by the IURC.

The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Background Information - The Voluntary Clean Energy Portfolio Standard Program is a financial incentive program for supplying electricity generated from clean energy resources. An electricity supplier that seeks to participate in the program must submit an application to the IURC showing a reasonable expectation of being able to supply 10% of its electricity from clean energy by December 31, 2025. The bill specifically lists energy included in the definition of clean energy resources.

As used in the bill, "electricity supplier" means a public utility that furnishes retail electric service to the public, but does not include municipally owned utilities.

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: IURC; All.

Local Agencies Affected: All.

Information Sources:

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